

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)	
DELMARVA POWER & LIGHT COMPANY FOR)	PSC DOCKET NO. 11-528
AN INCREASE IN ELECTRIC BASE RATES)	
AND MISCELLANEOUS TARIFF CHANGES)	
(FILED DECEMBER 2, 2011))	

DIRECT TESTIMONY OF
MICHAEL J. McGARRY, SR.
ON BEHALF OF
COMMISSION STAFF

May 15, 2012

1 **Q: Please state your name, position, and business address.**

2 **A:** My name is Michael J. McGarry, Sr. I am President and CEO of Blue Ridge
3 Consulting Services, Inc. My business address is 2131 Woodruff Road, Suite 2100,
4 PMB 309, Greenville, SC 29607.

5 **Q: Please state your experience and educational background.**

6 **A:** I have been President of Blue Ridge Consulting Services, Inc. since 2004. In my
7 career, I have overseen or been part of numerous rate case audits, prudency reviews,
8 and management and operational audits. I have worked with clients to manage
9 various aspects of the regulatory and rate case process; prepared supporting analyses
10 and testimony for submission to regulatory bodies; prepared revenue requirement and
11 cost of service analyses; and developed complex revenue requirement models to
12 present alternative positions to a utility's proposed rate request. Prior to assuming my
13 present position, I was Vice President of East Coast Operations from July 2003 to
14 June 2004 with Hawks, Giffels & Pullin (HGP), Inc. In that position, I was
15 responsible for developing and overseeing client engagements in utility regulatory
16 affairs, management audits, and rate case management. From August 2001 to July
17 2003, I was an independent consultant working on a number of different projects,
18 including a renewal/update of delivery service tariffs for Illinois Power and several
19 utility street lighting cost benefit assessment projects. From June 2000 until August
20 2001, I was a senior consultant with Denali Consulting, Inc., a utility supply chain
21 and e-procurement strategy and implementation firm. From October 1997 through
22 June 2000, I was employed by Navigant Consulting, Inc. and several of its
23 predecessors or acquired firms working on a number of different projects, including a

1 management audit of Southern Connecticut Gas Company and the original delivery
2 service tariff filing for Illinois Power. From July 1985 through October 1997, I was
3 employed by the New York State Department of Public Service (NYSDPS) in its
4 Utility Operational Audit Section in which the staff conducted focused operational
5 audits in many facets of utility operations for all sectors of the utility industry,
6 including gas, electric, telecommunications, and water. Prior to my employment with
7 the NYSDPS, I was a rate analyst with Orange and Rockland Utilities (1981 to 1983)
8 and then Seminole Electric Cooperative (1983 to 1985). I received my Masters of
9 Business Administration from the State University of New York at Buffalo in 1996
10 and a Bachelor of Arts in Economics from Potsdam College (SUNY) in 1981.

11 **Q: Have you included a more detailed description of your qualifications?**

12 **A:** Yes. A detailed description of my qualification is included as Appendix A.

13 **Q: What is the purpose of your testimony?**

14 **A:** Recent changes have occurred in the corporate structure of PHI Holdings, Inc., the
15 parent company of Delmarva Power & Light Company (“Delmarva” or the
16 “Company”). Of special concern are the changes related to the 2010 sale of Conectiv
17 Energy. The purpose of my testimony is to identify issues resulting from the sale of
18 Conectiv Energy, if any, and comment on inter-company allocations and their impact
19 on the revenue requirement.

20 **Q: How did you structure your analysis of inter-company allocations?**

21 **A:** I examined four areas involving inter-company allocations in this case: (1) the
22 identification of services provided for Delmarva by PHI Service Company (Service
23 Company), the centralized service company of Pepco Holdings, Inc. (PHI); (2) the

assignment of costs associated with the services provided by the Service Company to Delmarva; (3) the verification of appropriate compliance to service and allocation agreements by the Service Company; and (4) the adjustment to Service Company allocations as a result of the Conectiv Energy divestiture.

Q: Please discuss your first category of analysis: the identification of services provided by the Service Company for Delmarva.

A: I reviewed the 2011 Cost Allocation Manual (CAM) and the associated original Service Agreement (Exhibit 1 to the CAM) and the extended 2011 Service Agreement included with the Cost Allocation Manual as Exhibit 1A.¹ Among other things, the CAM provides guidance and information concerning corporate organization, cost assignment, cost accounting (accumulation), and cost distribution. The original Service Agreement specified thirteen categories of services; the 2011 Service Agreement alters and adds a few categories of services. These include:

1. Executive Management
2. Procurement and Administrative Services
3. Financial Services and Corporate Expenses
4. Insurance Coverage and Services
5. Human Resources
6. Legal Services
7. Audit Services
8. Customer Services
9. Utility Marketing Services
10. Information Technology
11. External Affairs
12. Environmental Services
13. Safety Services
14. Regulated Electric and Gas Delivery
15. Internal Consulting Services²

¹ Response to PSC-ALC-2 Attachment.

² Response to PSC-ALC-2 Attachment, pp. 1-7 of 11.

1 **Q: Did the Service Company charge services in all categories to Delmarva?**

2 **A:** Yes. In 2009 and 2010, services in all thirteen categories were charged. In 2011, the
3 Service Company charged services to Delmarva in all fifteen categories.³

4 **Q: Referring to the charges by the Service Company to Delmarva, were any costs**
5 **not associated with the Service Agreement's specified categories?**

6 **A:** Yes. In 2010, \$1,225.00 was directly charged (not allocated) to Delmarva by the
7 Service Company for costs relating to the Organizational Review Project, the
8 comprehensive review of the corporate services organization conducted in association
9 with the Conectiv Divestiture to ensure that the utilities would not be negatively
10 affected by the divestiture.⁴ It is not clear why the 2010 charge was made to
11 Delmarva considering that it is not identified with any Service Company agreed-to
12 service category.

13 Additionally, in 2009, 2010, and 2011, the Service Company directly charged
14 Delmarva for cost of interns without specifying whether these charges relate to any of
15 the Service Agreement service categories. These charges were \$196,423.50 in 2009,
16 \$196,613.25 in 2010, and \$160,344.00 in 2011.⁵

17 **Q: What is your conclusion regarding Service Company services provided to**
18 **Delmarva?**

19 **A:** Based on my review, I conclude that the services provided and charged to Delmarva
20 by the Service Company align reasonably well with the governing documents. The
21 aberration involving the ORP charge in 2010 and the intern charges are immaterial
22 considering they represent approximately 1/10 of 1 percent of total Service Company

³ Response to PSC-ALC-1 Attachments 1-3.

⁴ Response to PSC-ALC-1 Attachment 2.

⁵ Response to PSC-ALC-1 Attachments 1-3.

1 charges. However, the fact that certain expenses were not properly allocated to the
2 Service Agreement categories and have been charged to Delmarva indicates the need
3 for the Company to be more attentive in reviewing the process by which affiliate
4 charges are made and approved.

5 **Q: Please discuss your second category of analysis: the assignment of costs**
6 **associated with the services provided by the Service Company to Delmarva.**

7 **A:** Delmarva provided direct and allocated charges by the Service Company to Delmarva
8 and other affiliates.⁶ Costs were broken down by cost element. Costs increased from
9 2009 to 2010, but decreased from 2010 to 2011.

10 **Q: What is your assessment of the year-to-year changes in Service Company**
11 **charged costs to Delmarva?**

12 **A:** All allocated costs charged to Delmarva were based on Service Agreement defined
13 allocators.⁷ Charges to Delmarva from 2009 to 2011 have increased at an average rate
14 of 1.43% per year.⁸ From an overview perspective, without a detailed investigation
15 into all costs, the trending of Service Company charged costs appears reasonable.

16 **Q: Please discuss your third category of analysis: the verification of appropriate**
17 **compliance to service and allocation agreements by the Service Company.**

18 **A:** On May 2, 2011, the Division of Audits of the Office of Enforcement (OE-DA) of the
19 Federal Energy Regulatory Commission (FERC) published its final audit report of
20 Pepco Holdings, Inc. Affiliate Transactions.⁹ The audit covered the period from
21 January 1, 2008, through December 31, 2009. Blue Ridge examined the findings,

⁶ Response to PSC-ALC-1 Attachments 1-3.

⁷ Response to PSC-ALC-1 Attachments 1-3 and response to PSC-ALC-2 Attachment.

⁸ Exhibit MJM-1– Total Service Company Charges Comparison, row 35 col b.

⁹ Response to PSC-COS-19 Attachment.

1 recommendations, and the Company's corrective actions regarding this audit which
2 was initiated to evaluate PHI's and its affiliates' compliance with (1) cross-
3 subsidization restrictions on affiliate transactions, (2) accounting, recordkeeping, and
4 reporting requirements, (3) Uniform System of Accounts for centralized service
5 companies, (4) preservation of records requirements for holding companies and
6 service companies, and (5) FERC Form 60 Annual Report requirements.

7 **Q: What did your examination conclude?**

8 **A:** From my examination of the FERC audit and follow-up Company actions, I found no
9 cause to question the reasonableness or accuracy of the costs charged by the Service
10 Company to Delmarva.

11 **Q: Were any other audits performed?**

12 **A:** According to the Company, the FERC audit published in May 2011 was the only
13 audit conducted of the Service Company since the Company's last Delaware rate
14 case.¹⁰ However, the Company did state that an examination of affiliate transactions
15 was conducted in 2010 by the independent firm of PricewaterhouseCoopers, LLC
16 (PwC). Such an examination is performed cyclically every three years specifically on
17 the Company's annual Schedule of Affiliate Transactions prepared in compliance
18 with the Commission's Order No. 5469 (Docket 99-582).¹¹

¹⁰ Response to PSC-ALC-5.

¹¹ Response to PSC-ALC-4 Attachment.2.

1 **Q: What were the results of the PwC examination?**

2 A: PwC states that the 2010 Schedule of Affiliate Transactions “presents fairly, in all
3 material respects, the affiliate transactions of the Company for the year ended
4 December 31, 2010.”¹²

5 **Q: What is your conclusion regarding verification of service and allocation**
6 **agreement compliance?**

7 A: Based on my review, I conclude that the verification of service and allocation
8 agreement compliance undertaken by the Company demonstrates appropriate and
9 reasonable compliance and monitoring of compliance.

10 **Q: Please discuss your fourth and final category of analysis: the adjustment to**
11 **Service Company allocations as a result of the Conectiv Energy divestiture.**

12 A: In 2010, PHI completed the divestiture of Conectiv. With one fewer affiliate on
13 which Service Company overhead could be allocated, the percentage for each utility
14 would, all other things being equal, increase. Had no action been taken, the result of
15 the divestiture would have harmed Delmarva ratepayers because of the increased
16 share of Service Company costs. However, PHI recognized this unfair potential
17 increase in burden and took steps to remedy the percentage increase.

18 **Q: What was PHI’s remedy?**

19 A: PHI determined that approximately \$20 million of corporate costs previously
20 allocated to Conectiv would, without any other action undertaken, be allocated to
21 utility operating affiliates. Therefore, PHI conducted an Organizational Review
22 Project (ORP) whose goal was to address the A&G costs incurred by the Service
23 Company that were previously allocated to the divested competitive businesses,

¹² Response to PSC-ALC-4 Attachment 2, p.4 of 24.

1 which included Conectiv Energy. The result of the ORP was identification of nearly
2 \$28 million of cost reduction that became O&M savings.¹³

3 **Q: How did that savings affect costs charged to Delmarva?**

4 **A:** In response to a data request, Delmarva provided a schedule demonstrating that of the
5 \$27,816,000 ORP-identified reductions, \$2,706,000 flowed through to Delmarva
6 Delaware Electric Distribution-related O&M.¹⁴

7 **Q: Do the overall charges by the Service Company to Delmarva support the**
8 **contention that Delmarva's charged costs have been reduced by the ORP**
9 **results?**

10 **A:** Yes. As indicated in the Exhibit MJM-1, Delmarva's percentage of total allocated
11 costs has remained relatively constant in 2011 as compared to previous years (26.84%
12 in 2009, 27.99% in 2010, and 26.84% in 2011).¹⁵ Additionally, while overall charged
13 costs had increased from 2009 to 2010 by 2.44%,¹⁶ they were reduced (decrease of
14 11.69%) from 2010 to 2011,¹⁷ due in part to the reduction realized through the ORP.

15 **Q: What is your conclusion regarding the adjustment to Service Company**
16 **allocations as a result of the Conectiv Energy divestiture?**

17 **A:** Based on my review, I conclude that, regarding Service Company allocations, the
18 Delmarva ratepayers were not negatively impacted by the Conectiv divestiture.

19 **Q: Does this conclude your testimony?**

20 **A:** Yes.

¹³ Exhibit MJM-2– Potomac Electric Power Company Before the Public Service Commission of the District of Columbia, Formal Case No. 1087, Direct Testimony of Anthony J. Kamerick, Pepco (A), 27:8-28:6.

¹⁴ Response PSC-ALC-6 Attachment.

¹⁵ Exhibit MJM-1– Total Service Company Charges Comparison, row 7 col b, row 15 col b, and row 28 col b.

¹⁶ Exhibit MJM-1– Total Service Company Charges Comparison, row 20 col g.

¹⁷ Exhibit MJM-1– Total Service Company Charges Comparison, row 33 col g.

APPENDIX

Qualifications of Michael J. McGarry, Sr.

Summary

Mr. McGarry's professional experience spans Thirty-one years within the private and public sectors. He has conducted over thirty comprehensive management and operational audits of investor-owned energy, telecommunications, and water utilities. These audits have included comprehensive management audits and/or operational audits on most utility functions including corporate governance, strategic planning, internal auditing, capital and operating budget process and practices, distribution operations and maintenance, fuel procurement, supply chain management, demand side management, crew operations, affiliates transactions, commodity trading and construction program practices.

Project Management

Mr. McGarry's experience includes management of multi-discipline teams for a wide range of client engagements, development and implementation of detailed work plans and project schedules. He has analyzed and planned interdivisional resource utilization, supervised, developed and coached interdivisional team members and created numerous executive reports, briefings, and presentations.

Regulatory and Rate Case Management

Mr. McGarry has worked with clients to manage all aspects of the regulatory and rate case process. He has developed efficient processes to prepare supporting analyses and testimony for submission to the regulatory bodies and interveners. He is a seasoned project manager and has analytical expertise to respond to interrogatories and data requests from all rate case interveners in a timely manner. Mr. McGarry has assisted a number of clients in preparing revenue requirement and cost of service analyses. He has also developed rate structure and billing determinant information analyses, time of day and interruptible rates analyses, fuel and purchased power reports and annual wholesale rates for member cooperatives. He has developed complex revenue requirement models to present alternative positions to a utility's proposed rate request.

Testimony and Witness Preparation

Mr. McGarry has proffered and /or supported testimony in Colorado, Delaware, Illinois, Maine, Michigan, Maryland, New York, Nova Scotia, Ohio, Pennsylvania and Utah. These proceedings included testimony involving management decision and prudence impacts, operations and maintenance expenses, capital investments, revenue requirements, project management and others.

Utility Management and Operational Audits

Mr. McGarry has conducted over thirty comprehensive management and operational audits of investor-owned energy and telecommunications utilities. These audits have included comprehensive management audits and/or operational audits on most functions with the utility environment including corporate governance, strategic

planning, internal auditing, capital and operating budget process and practices, distribution operations and maintenance, fuel procurement, supply chain management, demand side management, crew operations, affiliates transactions, commodity trading and construction program practices.

Restructuring, Unbundling, and Cost Allocation

Mr. McGarry has developed the supporting analyses and regulatory filing requirements needed to support unbundling rates for utilities. This has included detailed studies where the company's plant-in-service and depreciation reserve was allocated to each unbundled function. He has assessed utility management actions to prepare the company for competition, including the processes and practices used by the utility to prepare to enter new markets and offer new services.

Training and Public Speaking

Mr. McGarry has presented topics before Commission staff groups, NARUC sub-committee groups, and as a program faculty member (2010) for the Institute of Public Utilities at Michigan State University. Topics presented include management auditing and prudence reviews, service company costs and allocations, forecasting methodology and modeling, revenue requirements, rate base, and price regulation theory.

Education

Potsdam College, B.A., Economics, 1981

University at Buffalo School of Management, MBA, 1996

Regulatory Experience

Before the Connecticut Department of Utility Control

Docket 10-02-13 *Application of Aquarion Water Company to Amend its Rate Schedules*

On behalf of the Connecticut Department of Public Utility, April 2010 – August 2010

Project Manager. Oversaw rate case analysis and assessment of company's proposed revenue requirement specifically related to cash working capital and test year expenses. Assisted with analysis of specific issues and preparation of Commission's recommended decision.

Docket 07-07-01 *Diagnostic Management Audit of Connecticut Light and Power Company*.

On behalf of the Staff of the Connecticut Department of Public Utility, July 2008-June 2009

Project Manager. Performed overall day to day project management responsibilities to conduct a diagnostic management audit of the Connecticut Light & Power Company (CL&P). Managed a project team of accountants, engineers and industry specialists who were responsible for evaluating the effectiveness of the management and operations of all aspects of the company. In addition, managed a focused prudency review of Northeast Utilities' (CL&P's parent company) development and implementation of a \$122 million customer information system known as CustomerCentral or C2.

Before the Delaware Public Service Commission

Docket No. 09-414 *On behalf of the Staff of the Delaware Public Service Commission in the matter of the application Delmarva Power & Light Company for approval of modifications to its electric base rates*, September 2009 - May 2010

Project Manager. Oversaw rate case analysis and assessment of company's proposed revenue requirement. Assisted with analysis of specific issues and preparation of witness testimony.

Docket No. 07-239F *On behalf of the Staff of the Delaware Public Service Commission in the matter of the application Delmarva Power & Light Company for approval of modifications to its gas cost rates*, October 2007-April 2008

Project Manager. Oversaw a review of Delmarva Power and Light's gas hedging program.

Docket No. 06-287 *On behalf of the Staff of the Delaware Public Service Commission in the matter of Chesapeake Gas Corporation's implementation of a Gas Hedging program*, June-August 2007

Project Manager. Provided industry expertise and suggestions to the Commission on a proposal plan to implement a gas hedging procurement program at the Company.

Docket No. 06-284 *On behalf of the Staff of the Delaware Public Service Commission in the matter of Delmarva Power and Light Company's request for a \$15 million increase in gas base rates*, October 2006-March 2007

Project Manager and testifying witness. Provide expert testimony on several rate base and revenue requirement issues. Recommended Commission reduce proposed rate increase request to \$8.4 million (56%).

Before the District of Columbia Public Service Commission

Formal Case No. 1076 *In the Matter of the Application of the Potomac Electric Power Company for Authority to Increase Existing Retail Rates and Charges for Electric Distribution Service*.

On Behalf of the DCPSC, July-June 2010

Project Manager: Advised Commission Staff on the Company's and intervenor's filings and testimony regarding revenue requirements, rate base, cost of service, rate design, bill stabilization, and depreciation.

Formal Case No. 1053 - *Technical consultant for the Commission in the matter of Potomac Electric Power Company's request for a \$50.4 million increase in base rates*, February 2007-June 2008

Project Manager. Provide technical expertise to Commission in evaluating the Company's rate case filing. Commission accepted adjustments which reduced the allowed increase by a significant percentage.

Formal Case No. 1032 *In the Matter of the Investigation into Potomac Electric Power Company's Distribution Service Rates*

On Behalf of the DCPSC, January-March 2005

Project Manager. Review and evaluation of Potomac Electric Power Company compliance filings for class cost of service and revenue requirements for distribution service pursuant to a settlement approved in May 2002. Provided analysis and recommended adjustments to Staff on 23 designated issues and 13 Company proposed adjustments. Proceeding was settled in anticipation of a full rate case for rates to be effective August 8, 2007.

Formal Case No. 1016 *In the Matter of the Application of Washington Gas Light Company, District of Columbia Division, for Authority to Increase Existing Rates and Charges for Gas Service*

On Behalf of the DCPSC, June-December 2003

Project Manager and Consultant to Commissioners and Staff. Project Manager for the analysis of WGL's rate filings. Provided analysis and recommended adjustments to the DCPSC Staff on WGL's proposed increase to base rates. Advised the Commission during deliberations on party positions and possible recommendations.

Before the Hawaii Public Utilities Commission

Docket No. 05-0075 *In the matter of a proceeding to investigate Kauai Island Utility Cooperative's Proposed Revised Integrated Resource Plan and Demand Side Management Framework*, June-November 2005

Project Manager. Managed a team of consultants responsible for evaluating the impact of the changes proposed by the Company.

Before the Illinois Commerce Commission

Case: 05-0597 *On behalf of the Illinois Citizens Utility Board, Cook County States Attorney's Office and City of Chicago*, November 2005-May 2006

Project Manager and Testifying Witness. Provided analysis and recommended adjustments in the general rate increase of 20.1% or \$320 million filed by ComEd.

Consultant to Illinois Power Company. Conducted mandated compliance filing to un-bundle utility's rate tariffs. Prepared filing requirements and all support schedules analysis to justify allocation of generation, transmission and distribution. Prepared testimony on behalf of the Company's Controller.

Consultant to Illinois Power Company. Prepared 2001 required update filing for the Illinois Commerce Commission compliance filing to un-bundle utility's rate tariffs. Prepared filing requirements and all support schedules analysis to justify allocation of generation, transmission and distribution. Prepared testimony on behalf of the Company's Controller.

Before Maine Public Utilities Commission

Case No 2008-151 *Maine Public Utilities Commission Investigation into Maintenance and Replacement Program for Northern Utilities Inc.'s Cast Iron Facilities (Phase II)*

On behalf of Maine Public Advocate, July 2008 - present

Project Manager and Testifying Witness. Litigated proceeding and led a consultant team to assist the State of Maine Public Advocate to follow-up on investigation for the need

for the program and the company's management of the repair or replacement of its cast iron facilities.

Case No 2004-813 Maine Public Utilities Commission Investigation into Maintenance and Replacement Program for Northern Utilities Inc. 's Cast Iron Facilities (Phase I)

On behalf of Maine Public Advocate, November 2004-March 2005

Project Manager and Testifying Witness. Litigated proceeding and led a consultant team to assist the State of Maine Public Advocate to investigate the need for an accelerated cast iron replacement program the company's management of the repair or replacement of its cast iron facilities.

Before the Maryland Public Service Commission

Case No. 9092/9093 (Phase II) On behalf of the Staff of the Commission in Base Rate Proceeding for Potomac Electric Power Company and Delmarva Power and Light Company December-March 2008

Project Manager. Provided rebuttal testimony on behalf of the Commission related to the reasonableness of the costs and charges of Pepco Holdings, Inc. Service Company.

Case No. 9092 On behalf of the Staff of the Commission in Base Rate Proceeding for Potomac Electric Power Company, January-June 2007

Project Manager. Reviewed and analyzed company's base increase request and all pro formas, adjustments to test year revenue requirement and supported witness testimony. Commission approved less than 20% of Company's original request.

Case No. 9062 On behalf of the Staff of the Commission in the matter of the application of Chesapeake Utilities Corporation for authority to revise its rates and charges for gas service, May-October 2006

Project manager. Managed a project team responsible for providing expert witness testimony in the areas of revenue requirements, rate base, cost of service, revenue allocation, rate design, revenue normalization, and cost of capital.

Before the Massachusetts Department of Public Utilities

Case No. D.P.U. 08-110 On behalf of the Massachusetts Department of Public Utilities regarding the Petition and Complaint of the Massachusetts Attorney General for an Audit of New England Gas Company, February 2010-August 2010

Project manager. Managed a project team of accountants and industry specialists who were responsible for evaluating the accuracy of the accounting records, practices and procedures used in the development of New England Gas Company's revenue requirements calculations in the Company's base rate request.

Before the Michigan Public Service Commission

Case No. U-16047 On behalf of the Attorney General of the State of Michigan in the matter of the application of The Detroit Edison Company for authority to implement a Power Supply Cost Recovery Plan in its rate schedules for 2010 metered jurisdictional sales of electricity, January-May 2010

Project manager and testifying witness. Reviewed power supply cost recovery plan requirements and testified to appropriateness of specific components of that factor.

Case No. U-15415-R *On behalf of the Attorney General of the State of Michigan in the matter of the application of Consumers Energy Company for the reconciliation of power supply cost recovery costs and revenues for the calendar year 2008 and for other relief related to pension and OPEB costs*, May-November 2009

Reviewed power supply cost recovery reconciliation and provided analysis of potential issues and developed recommendations including basis, past precedence, and/or industry expertise.

Case No. U-15806/U-15890 *In the matter of Detroit Edison's and Michigan Consolidated Gas Company's to comply with Public Acts 286 and 296 regarding their Renewable Energy Plan and Energy Optimization Plan*, March-June 2009

Reviewed the Energy Optimization Plans of both Detroit Edison and Michigan Consolidated Gas and provided analysis of issues and shortcomings concerning the plans in relation to the specifications of the Act and the benefit to customers.

Case No. U-15805/15889 *In the matter of Consumers Energy Company to comply with Public Acts 286 and 295 regarding their Renewable Energy Plan and Energy Optimization Plan*, March-June 2009

Reviewed the Energy Optimization Plans of Consumers Energy Company and provided analysis of issues and shortcomings concerning the plans in relation to the specifications of the Act and the benefit to customers.

Case No. U-15677 *On behalf of the Attorney General of the State of Michigan in the matter of the application of The Detroit Edison Company for authority to implement a power supply cost recovery plan in its rate schedules for 2009 metered jurisdictional sales of electricity*, January 2009-June 2010

Project manager and testifying witness. Reviewed power supply cost recovery plan requirements and testified to appropriateness of specific components of that factor.

Case No. U-15415 *On behalf of the Attorney General of the State of Michigan in the matter of the application of Consumers Energy Company for approval of a power supply cost recovery plan and for authorization of monthly power supply cost recovery factors for the year 2008*, January-March 2008

Project Manager. Reviewed power supply cost recovery plan requirements and provided summary briefing to Michigan Attorney General.

Case No. U-15320 *On behalf of the Attorney General of the State of Michigan in the matter of the application of Midland Cogeneration Venture Limited Partnership for the Commission to eliminate the "availability caps" which limit Consumers Energy Company's recovery of capacity payments with respect to its power purchase agreement with Midland Cogeneration Venture Limited Partnership*, October 2007-June 2008

Project Manager. Oversaw project to provide industry expertise to evaluate issue in case and recommend alternative arguments.

Case No. U-15245 *On behalf of the Attorney General of the State of Michigan in the matter of the application of Consumers Energy Company for authority to increase its rates for the generation and distribution of electricity and for other relief*, July 2007-April 2008

Project Manager and testifying witness. Provided expert testimony on partial and interim rate relief, Consumers' decision to acquire Zeeland Power Company from Broadway Gen Funding, LLC. Provided testimony in permanent phase to reduce company's net operating income to more closely reflect the expected costs in 2008.

Case No U-15244 *On behalf of the Attorney General of the State of Michigan in the matter of the application of Detroit Edison for authority to increase its electric base rates*, September 2007-October 2008

Project Manager and testifying witness. Provided expert testimony on revenue requirements.

Case No U-15190 *On behalf of the Attorney General of the State of Michigan in Base Rate Proceeding for Consumer's Energy*, March-September 2007

Project Manager. Reviewed the revenue decoupling proposal and supported the witness testimony.

Case No U-15040 *On behalf of the Attorney General of the State of Michigan in Gas Cost Recovery 2007/08 Plan proceeding*, March-August 2007

Project Manager and Testifying Witness. Reviewed gas cost recovery plan requirements and provided analysis of the potential benefits of gas procurement hedging program.

Case No. U-15001 *On behalf of the Attorney General of the State of Michigan in Power Supply Cost Recovery 2007/08 Plan proceeding*, November 2006-August 2007

Project Manager and Testifying Witness. Reviewed power supply cost recovery plan requirements and testified to appropriateness of specific components of that factor.

Case No. U-14701-R *On behalf of the Attorney General of the State of Michigan in Power Supply Cost Recovery 2006/07 reconciliation proceeding*, June-November 2007

Project Manager and Testifying Witness. Reviewed power supply cost recovery reconciliation.

Case No. U-14547 *On behalf of the Attorney General of the State of Michigan in the matter of the application of Consumer Energy Company for authority to increase rates for the distribution of natural gas and for other relief*, December 2005-April 2006

Expert Witness and Project Manager. Provided analysis, recommended adjustments and filed testimony for the Michigan Attorney General on Consumers Energy proposed increase to base rates.

New Mexico Public Service Commission

Special Case Study: Public Service Company of New Mexico NM PRC Docket No. 10-00086-UT, August 2010

Blue Ridge worked with QSI Consulting, Inc. to conduct a training session for the New Mexico PSC Staff and develop training materials for presentation to Commission Staff on the basic elements of future test year proceedings, how those may differ from traditional rate cases, and how to apply and interpret the forecasting methodologies and modeling that will come into play; and analyze the pending PNM rate case and provide an analytic framework for Staff to apply to the forecasting issues in the case.

Before the Nova Scotia Utility and Review Board

Case No. P-886 On behalf of the Consumer Advocate of the Province of Nova Scotia in the base rate proceeding of Nova Scotia Power, December 2006-March 2007

Project Manager and testifying witness. Provided an evaluation of a management audit of Nova Scotia Power and that report's usefulness to assess the Company's management performance and operational efficiency within the context of that proceeding.

Before the Public Utilities Commission of Ohio

Case No. 08-0917-EL-SSO On behalf of the Ohio Hospital Association in the matter of the Application of American Electric Power of Ohio for authority to increase rates for distribution of electric service. (Hired by Ohio Hospital Association's attorney for utility matters, Bricker and Eckler, to provide expertise in negotiating rate with American Electric.), September 2008-March 2009

Evaluated revenue and rate impact on member hospitals.

Case No. 08-0072-GA-AIR On behalf of the Staff of Ohio Public Utilities Commission in the matter of the Application of Columbia Gas of Ohio, Inc. for authority to increase its gas base rate, April-August 2008

Project Manager. Oversaw multi-discipline team of accountants, auditors, engineers and analysts to conduct a comprehensive rate case audit of Columbia Gas of Ohio's gas base rate filing. Primary goal of project was to validate information in filing, provide findings conclusions and recommendations concerning the reliability of information and data in the filing and support Staff in its evaluation of the reasonableness of the filing.

Case No. 07-0829-GA-AIR On behalf of the Staff of Ohio Public Utilities Commission in the matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for authority to increase its gas base rate, November 2007-April 2008

Project Manager. Oversaw multi-discipline team of accountants, auditors, engineers and analysts to conduct a comprehensive rate case audit of Dominion East Ohio's gas base rate filing. Primary goal of project was to validate information in filing, provide findings conclusions and recommendations concerning the reliability of information and data in the filing and support Staff in its evaluation of the reasonableness of the filing.

Case No. 07-0589-GA-AIR On behalf of the Staff of Ohio Public Utilities Commission in the matter of the Application of Duke Energy Ohio, Inc., for an increase in Gas Rates. November 2007-February 2008

Project Manager. Oversaw multi-discipline team of accountants, auditors, engineers and analysts to conduct a comprehensive rate case audit of Duke Energy – Ohio’s gas base rate filing. Primary goal of project was to validate information in filing, provide findings conclusions and recommendations concerning the reliability of information and data in the filing and support Staff in its evaluation of the reasonableness of the filing.

Case No. 07-0551-EL-UNC *On behalf of the Ohio Schools Council in the matter of the Application of First Energy Ohio (and its operating companies Ohio Edison, Cleveland Electric and Toledo Edison) for authority to Increase rates for distribution service, modify certain accounting practices and for tariff approval*, August 2007-April 2008
Project Manager. Hired by Ohio Schools Council’s attorney for utility matters (Bricker and Eckler, LLP) to provide industry expertise in reviewing First Energy’s application with respect to cost of service and rate design and the resulting impact on Council’s member school systems energy costs.

Case No. 06-0986-EL-UNC *On behalf of the City of Cincinnati in the matter of the Application of Duke Energy Ohio, Inc., to modify its market-based Standard service over*, May-August 2007

Project Manager. Hired by City of Cincinnati’s Water and Sewer District attorney for utility matters (Bricker and Eckler, LLP) to provide industry expertise in reviewing Duke Energy Ohio’s proposal and impact on City’s project energy costs.

Oregon Public Utilities Commission

Docket No. UP205 *Examination of NW Natural’s Rate Base and Affiliated Interests Issues*

Co-sponsored between NW Natural, Staff, Northwest Industrial Gas Users, Citizens Utility Board, August 2005-January 2006

Project Manager. Led a team that conducted a management audit of NW Natural Gas that included an evaluation of rate base issues for Financial Instruments (gas and financial hedging) Deferred Taxes, Tax Credits, Cost for a Distribution System, Security Issuance Costs and AFUDC calculations as well as Affiliate Transactions for Cost Allocations and Transfer Pricing, Labor Loading, Segregation of Regulated Rate Base and Subsidiary Investments and Properties, and validation of tax paid from / to affiliates are proper. Audit was to ensure Company compliance with orders, rules and regulations of the OPUC, with Company policy and with Generally Accepted Accounting Principles.

Utah Division of Public Utilities

Docket No. 09-035-23 *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*, June-December 2009

Project Manager and testifying witness. Verified the reasonableness of the revenue requirements as provided by the company in its application and testified before the Public Service Commission of Utah.

Docket No. 09-035-15 *In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism - Net Power Cost Evaluation (NPC), Rocky Mountain Power (RMP) 2009 General Rate Case*, July-December 2009

Project Manager and testifying witness. Analyzed the reasonableness and technical accuracy of the RMP's NPC request, performed a comprehensive review of the Company's NPC estimate and developed recommendations to ensure an accurate baseline for the ECAM, analyzed special issues addressed in the NPC portion of the case, analyzed the Company's fuel price hedging policies and provided recommendations appropriate for the ECAM, and reviewed intervenor NPC issues as well as analyzing additional issues as raised by the Company and testified to hedging issues.

Before the Washington Utilities and Transportation Commission

Independent Third-Party Evaluation of Puget Sound Energy's (PSE) Conservation Incentive Mechanism (ECIM) under the co-direction of PSE and the Washington Utilities and Transportation Commission staff, Phase I: July-October 2009; Phase II: October 2009 – September 2010

Project Manager: Assess the extent to which the design and implementation of the incentive mechanism addressed key issues and objectives required by the Commission: accuracy of implementation in calculations of incentives or penalties, compliance with the conditions and requirements of the pilot program, proper use of the calculation methodology, and which assumptions or methods were used to calculate and verify the savings report.

Before the Public Utilities Commission of the State of Colorado

Docket No. 04A-050E *Review of the Electric Commodity Trading Operations of Public Service Company of Colorado*

On behalf of the COPUC Staff, March 2004-September 2004

Project Manager. Focused operational audit within the bounds of a litigated proceeding to determine if ratepayers were subsidizing or negatively impacted by PSCo's energy trading function.

South Carolina State Senator

Advised Senator on regulatory process for requesting States Public Service Commission for a comprehensive review of Duke Power Company's storm and restoration and right of way management. Reviewed and advised Senator of results of report finding.

Before the Missouri Public Service Commission

Consultant to Ameren UE. Conducted revenue requirement analysis in preparation of Missouri Public Service Commission compliance filing to un-bundle utility's rate tariffs. Prepared the filing requirements and all support schedules analysis to justify allocations of generation, transmission and distribution.

Southern Connecticut Gas

Consultant. As part of a team that conducted a comprehensive management audit of the management and operations of the Company, completed the capital budgeting area of the audit.

Before the New York Public Service Commission

Case: 94-C-0657

Commission Staff. Proceeding to evaluate the compliance of NYNEX with Commission rules and orders related to operational support system costs to competitors. Part of staff panel to facilitate discussion between company and potential competitors (i.e., users of operational support systems) and report back to Commission.

Focused review of the preparedness of RG&E and ConEd for competition in the electric industry. Evaluated all aspects of the company's management actions to prepare for competition including strategic planning, goals and objectives and senior management's attention to the company operations in a de-regulated industry

Case: 97-M-0567

Commission Staff. Litigated proceeding to determine the benefits of a proposed merger of LILCO / Brooklyn Union Gas. Analyzed the proposed synergy savings.

Case: 96-E-0132 *Show Cause Proceeding Regarding Rate Relief for Ratepayers of Long Island Lighting Company*

Commission Staff and Testifying Witness. Litigated proceeding where Staff proffered testimony containing a benchmark study showing that Long Island Lighting Company's operations and maintenance expenses were excessive compared to a peer group of 24 utilities. Panel testimony concerning the findings and conclusions resulting from the benchmark study.

Case: 96-M-0858 *Prudence Investigation into the Scrap Handling Practices in the Western Division of Niagara Mohawk Power Company*

Commission Staff and Testifying Witness. Litigated proceeding as a result of allegations of bribery and corruption in company practices related to a specific vendor who purchased company scrap metal. Lead team of 10 staff examiners to quantify the extent to which the Company paid excessive rates to this vendor. Testified to the findings of the analysis. Case settled with ratepayers receiving a credit to bills

Case: 91-C-0613 *Operational Audit of the Outside Plant Construction and Rehabilitation Program of New York Telephone Company*

Commission Staff. Comprehensive operational audit of the company's management and implementation of a \$150 million capital program to rehabilitate the outside plant distribution network. Served as Staff Examiner responsible for crew supervision, goals monitoring, contractor oversight, and report preparation.

Case: 91-W-0583 *Prudence Proceeding Regarding the Operations and Management of Jamaica Water*

Commission Staff and Testifying Witness. Litigated proceeding as a result of audit to determine extent to which management inattention and inappropriate practices resulted in excessive costs to rate payers. Testified on a Staff panel to the excessive costs associated with management's inattention to sound business practices related to the design, purchase and installation of the Company customer information system.

Case: 92-W-0030 Operational Audit of Jamaica Water Company Operations and Management

Commission Staff. Comprehensive management audit of company operations. Responsible for work plan development, and specific topics areas including engineering, contracting, and information technology. Findings led to prudence proceeding.

Case: 92-M-0973 Management Audit of Rochester Gas and Electric

Commission Staff. Comprehensive management audit of company operations. Responsible for work plan development, supervision of staff and specific topics areas including purchasing and internal controls.

Case: 93-E-0918 Operational Audit of the Demand Side Management Function at Rochester Gas and Electric

Commission Staff. Comprehensive operational audit of the demand side management function including program planning, management and energy savings verification. Developed and supervised the implementation of the work plan.

Case: 88005 Operational Audit of the Materials and Supply Function at National Fuel Gas

Commission Staff. Comprehensive operational audit of the materials and supplies function including warehouse operations, inventory control and procurement. Developed and implemented the work plan for this project.

Operational Audit of the Fuel Procurement and Contracting of Long Island Lighting Company

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project.

Operational Audit of the Fuel Procurement and Contracting of Consolidated Edison Company of New York

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project

Case: 90007 Operational Audit of the Fuel Procurement and Contracting of Central Hudson Gas and Electric

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project

Operational Audit of the Fuel Procurement and Contracting of Orange and Rockland Utilities

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project

Operational Audit of the Fuel Procurement and Contracting of Rochester Gas and Electric

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on nuclear fuel. Provided research and data evaluation expertise to the project

Case: 88-E-115 Prudence Proceeding to Investigate the Construction Costs Associated with the Homer City Coal Cleaning Plant

Commission Staff and Testifying Witness. Litigated proceeding as a result of audit to determine extent to which management inattention and inappropriate practices resulted in excessive construction charges related to the Homer City Coal Cleaning Plant. Testified on a Staff panel to the fuel price differential costs resulting from the failure of the coal cleaning plant to function as designed as well as surrebuttal testimony on the cost of a flu-gas de-sulfurization plant and ancillary equipment and facilities. Case settled with customers receiving \$125 million credit.

Case: 87003 Operational Audit of the Homer City Coal Cleaning Plant

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on the construction of the Homer City Coal Cleaning Plant jointly owned by NYSEG and Penelec. Responsible for fuel and construction costs analysis, benchmarking costs and alternative methods for meeting EPA Clean air restrictions, contracting practices and report preparation.

Case: 87003 Operational Audit of the Fuel Procurement and Contracting of New York State Electric and Gas

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Responsible for fuel cost analysis, benchmarking costs, contracting practices and report preparation.

Case: 86007 Operational Audit of the Field Crew Supervision and Utilization of New York State Electric and Gas Company

Commission Staff. Comprehensive operational audit to determine effectiveness of field crew utilization and supervision. Staff examiner responsible for verifying supervisor activities, reporting, goals attainment and report preparation.

Case: 86005 Prudence Proceeding to Investigate the Fuel Procurement and Contracting Practices at Niagara Mohawk Power Company

Commission Staff. Litigated proceeding as a result of audit to determine extent to which management inattention and inappropriate practices resulted in excessive fuel charges to

customers. Responsible for fuel cost analysis and benchmarking costs, contracting practices and testimony preparation. Case settled with customers receiving \$66 million credit.

Case: 86005 Operational Audit of the Fuel Procurement and Contracting of Niagara Mohawk Power Company.

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Responsible for fuel cost analysis and benchmarking costs, contracting practices and report preparation.

Case: 85001 Operational Audit of the Research and Development Function of Consolidated Edison Company of New York

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on R&D activities. Staff examiner on the project responsible for reviewing projects documentation and control, outside contracting a report preparation.